

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (12/14):**

BUTTER: Grade AA closed at \$1.2525. The weekly average for Grade AA is \$1.2392 (-.0050).

CHEESE: Barrels closed at \$1.2650 and blocks at \$1.2300. The weekly average for barrels is \$1.2410 (+.0060) and blocks, \$1.2160 (-.0600).

NONFAT DRY MILK: Extra Grade closed at \$0.9900 and Grade A closed at \$1.0000. The weekly average for Extra Grade is \$0.9900 (N.C.) and Grade A, \$1.0000 (N.C.).

HOLIDAY TRADING SCHEDULE FOR SPOT CALL BUTTER, CHEESE AND NDM (CME): The dairy spot call markets will be closed December 24 - 25 and resume on the 26th. For the following week, markets will be closed December 31 - January 1 and resume January 2nd.

BUTTER: Butter markets are unsettled. For the most part, butter stocks are sufficient to fill year-end orders. Churning schedules vary across the country. Cream supplies are reported to be most available on the weekend. At this point, cream demand is quite strong for Class II holiday type production, but is expected to ease as the holiday nears. Although cream demand is active for holiday based items, most butter operations are able to maintain steady production schedules. Most butter has been shipped for end of year needs. Some producers and handlers anticipate a spurt in orders next week for those buyers that are experiencing better than expected sales activity. Butter sales are holding up quite well. Retailers indicate that butter sales have been strong. Lower prices and feature activity across the country are clearing good volumes of butter. Food service orders are also stronger than earlier this fall.

CHEESE: The cheese market is unsettled. At the CME, prices moved lower and higher this week. Most holiday needs have been ordered and shipped from the producing plant. However, prospects for continued good sales through January are good. Reports indicate that wholesale orders and retail sales have been fairly brisk. Production levels are steady to occasionally heavier where more surplus milk was available. Cheese supplies range from light to fully adequate, depending on type of cheese and region of the country.

FLUID MILK: Milk production is generally steady to higher with output trending above last year in areas of the Southwest. Class I demand

is strong as bottlers continue to prepare for the holidays. Interest is expected to wane as schools dismiss for the holiday season. Milk movement into Class III facilities is light to fair with heavy increases expected at the year-end. Condensed skim movement is mostly steady for the contractual and light spot interest. Prices are generally unchanged. Cream supplies are in better balance than the week prior. Prices are lower in light of the lower CME AA butter average reported. Cream interest is fair to good into Class II facilities for holiday production of eggnog, sour cream, bottled cream and cream cheese.

DRY PRODUCTS: Production of dry products is seasonally increasing. NDM stocks are generally in balance as any excess supply is readily cleared into the CCC. Both buyers and sellers aim to keep inventories low in light of possible tilt changes and lower international NDM prices. Buttermilk stocks are mixed. Trading activity is light and prices are unchanged to lower. Whey markets are steady to weak with product most available in the West. Slow export sales may hinder higher price movement. Lactose 2002 contract negotiations are progressing slowly. Tight supplies are encouraging higher prices while buyers attempt to hold the market unchanged. The WPC market is weak. CCC NDM sales and heavier than expected year-end inventories are encouraging some plants to discount multiple load shipments. However, brand specific product is said to be short of interest and trading at a premium for the good nutraceutical and processed food interest.

CCC: During the period of December 10 - 14, adjusted purchases totaled 1,919,852 pounds of Western NDM under the price support program.

DECEMBER MILK SUPPLY AND DEMAND ESTIMATES (WASDE): Forecast milk production in 2001/02 is slightly lower than last month as the number of cows is reduced slightly. The extension of the price support program through May 2002 is expected to result in increased CCC removals during 2001/02 and help to support Class IV prices. The forecast for Class IV milk is raised 5 cents per cwt. but the Class III price is reduced 5 cents due to slower expected growth in product demand. The 2001/02 all milk price is forecast at \$13.05-\$13.65 per cwt.

*****SPECIALS THIS ISSUE*****

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CME HOLIDAY DAIRY CASH MARKET CLOSURES:

Monday, December 24 and Tuesday, December 25

Monday, December 31 and Tuesday, January 1

**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs.

| PRODUCT | MONDAY DECEMBER 10 | TUESDAY DECEMBER 11 | WEDNESDAY DECEMBER 12 | THURSDAY DECEMBER 13 | FRIDAY DECEMBER 14 | WEEKLY CHANGE* | WEEKLY AVERAGE# |
|--------------------|-----------------------|------------------------|--------------------------|-------------------------|-----------------------|-------------------|----------------------|
| CHEESE BARRELS | \$1.2150 (N.C.) | \$1.2150 (N.C.) | \$1.2450 (+.0300) | \$1.2650 (+.0200) | \$1.2650 (N.C.) | +.0500 | \$1.2410 (+.0060) |
| 40# BLOCKS | \$1.2300 (-.0300) | \$1.2200 (-.0100) | \$1.1900 (-.0300) | \$1.2100 (+.0200) | \$1.2300 (+.0200) | -.0300 | \$1.2160 (-.0600) |
| BUTTER GRADE AA | \$1.2250 (-.0075) | ----- | \$1.2400 (+.0150) | ----- | \$1.2525 (+.0125) | +.0200 | \$1.2392 (-.0050) |

*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM (NOTE: The NDM daily/weekly prices are reported here when changes occur. The Extra Grade price is \$.9900 and Grade A price is \$1.0000. NDM information remains available at the above internet address.)

CHICAGO MERCANTILE EXCHANGE

MONDAY, DECEMBER 10, 2001

CHEESE — SALES: 3 CARS 40# BLOCKS: 1 @ \$1.2500, 1 @ \$1.2475, 1 @ \$1.2400; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 10 CARS 40# BLOCKS: 1 @ \$1.2300, 1 @ \$1.2350, 1 @ \$1.2450, 1 @ \$1.2500, 1 @ \$1.2525, 1 @ \$1.2550, 2 @ \$1.2600, 2 @ \$1.2700
 BUTTER — SALES: 2 CARS GRADE AA: 1 @ \$1.2225, 1 @ \$1.2250; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

TUESDAY, DECEMBER 11, 2001

CHEESE — SALES: 8 CARS 40# BLOCKS: 1 @ \$1.2225, 1 @ \$1.2125, 1 @ \$1.2200, 2 @ \$1.2300, 1 @ \$1.2275, 2 @ \$1.2200; BIDS UNFILLED: 1 CAR BARRELS @ \$1.2125; OFFERS UNCOVERED: 5 CARS 40# BLOCKS @ \$1.2300

WEDNESDAY, DECEMBER 12, 2001

CHEESE — SALES: 3 CARS 40# BLOCKS: 1 @ \$1.2100, 1 @ \$1.2125, 1 @ \$1.2000; BIDS UNFILLED: 1 CAR BARRELS @ \$1.2450; OFFERS UNCOVERED: 15 CARS 40# BLOCKS: 1 @ \$1.1900, 1 @ \$1.2000, 2 @ \$1.2125, 2 @ \$1.2150, 2 @ \$1.2175, 2 @ \$1.2200, 5 @ \$1.2300
 BUTTER — SALES: 3 CARS GRADE AA: 1 @ \$1.2250, 1 @ \$1.2275, 1 @ \$1.2300; BIDS UNFILLED: 5 CARS GRADE AA: 1 @ \$1.2400, 1 @ \$1.2350, 2 @ \$1.2300, 1 @ \$1.2100; OFFERS UNCOVERED: NONE

THURSDAY, DECEMBER 13, 2001

CHEESE — SALES: 4 CARS BARRELS: 1 @ \$1.2525, 1 @ \$1.2600, 2 @ \$1.2650; 4 CARS 40# BLOCKS: 1 @ \$1.2100, 2 @ \$1.2200, 1 @ \$1.2100; BIDS UNFILLED: 1 CAR BARRELS @ \$1.2650; 1 CAR 40# BLOCKS @ \$1.1900; OFFERS UNCOVERED: 3 CARS 40# BLOCKS: 1 @ \$1.2150, 1 @ \$1.2200, 1 @ \$1.2300

FRIDAY, DECEMBER 14, 2001

CHEESE — SALES: 2 CARS 40# BLOCKS: 1 @ \$1.2800, 1 @ \$1.2700; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 9 CARS 40# BLOCKS: 1 @ \$1.2300, 1 @ \$1.2350, 2 @ \$1.2700, 5 @ \$1.2800
 BUTTER — SALES: 1 CAR GRADE AA @ \$1.2500; BIDS UNFILLED: 1 CAR GRADE AA @ \$1.2525; OFFERS UNCOVERED: NONE

BUTTER MARKETS**NORTHEAST**

The market tone remains weak. Through December 12, the butter price at the CME has fallen six consecutive sessions. During that time, all but two of the 29 total sales were based on offers. To most industry observers, the plethora of offers indicates an ample supply of bulk butter and/or a desire to clear inventories. In the East, churning activity remains moderate to heavy as cream supplies tend to be long during the later part of the week. Some additional excess volumes were shipped to Midwestern butter makers late last week. Butter stocks are more than ample for the continued fair demand. Retail sales are slow to fair and food service orders are steady. Sales of bulk butter, f.o.b. East, are reported in a range of 3.5 – 8.0 cents over the CME price/average.

CENTRAL

Butter markets are unsettled. Many producers and handlers are questioning the mid week increase in the cash CME trading value of AA butter. One of the thoughts is that maybe the cash price will settle around the \$1.20 – 1.25 level for the new year. Others state that although the cash price firmed slightly, they feel that the price will further decline before the end of the year. Churning schedules are quite active across the Midwest and are anticipated to increase as cream supplies become more available. Butter producers feel that cream offerings will readily increase by mid-week next week and continue into the new year. Stocks of butter appear

to be in balance for upcoming holiday needs. For the most part, a significant portion of orders have been placed and shipped for the year end, although some last minute, fill-in orders, are expected. Retailers indicate that butter sales have been strong. Lower prices and feature activity are clearing good volumes of butter. When available, bulk butter for spot sale is selling in a price range of 1 - 3 cents per pound over various pricing basis.

WEST

Print butter sales are holding up quite well this week. Most butter has been shipped to be in stores in time for the end of the year holidays. Some plants are expecting to ship some late loads to fill in at locations that experienced better than expected sales activity. The price declines on the cash CME market are not surprising to many Western producers. The slight rebound this week was more surprising. Bulk demand for industrial use is rated as fair to good. More cream is becoming available to the churns. This trend is expected to continue through the end of the year. Weekly CME butter stocks declined by 486,000 pounds to stand at 18.3 million pounds. This is about double the amount in storage last year at this time. Current prices for bulk butter range from 3 1/2 cents under to flat market based on the CME with various time frames and averages involved.

NASS DAIRY PRODUCT PRICES
 U.S. AVERAGES AND TOTAL POUNDS

| WEEK ENDING | CHEESE | | NDM | BUTTER | DRY WHEY |
|-------------|---------------------|-------------------------|----------------------|---------------------|----------------------|
| | 40# BLOCKS | BARRELS 38% MOISTURE | | | |
| DECEMBER 8 | 1.2863 7,287,110 | 1.2635 11,316,883 | 0.9221 17,359,262 | 1.2930 3,909,292 | 0.2897 10,757,926 |

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices are moderately lower as cheese prices at the CME have moved lower during last week's trading. The market tone is weak as offerings (at least on the CME) are more than ample for current demand. Cheese production in the East is about steady. Surplus milk volumes have changed little during the past few weeks. However, with cheese prices falling, producers are a little reluctant to make cheese during a falling market. Demand for cheese is fair to good. Typically, the holiday season is the peak time of year for aged cheddar sales/consumption. Aged cheddar supplies are readily available this season. Locally, stocks of cheese are quite well balanced, but cheese is readily available from Midwestern sources. Retail demand is just fair. Food service orders are seasonally good which is typical for this time of year.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

| | | |
|-----------------------------|---|---------------|
| Cheddar 10# Prints | : | 1.3200-1.7900 |
| Cheddar Single Daisies | : | 1.2775-1.7375 |
| Cheddar 40# Block | : | 1.4175-1.5975 |
| Process 5# Loaf | : | 1.4450-1.6075 |
| Process 5# Sliced | : | 1.4650-1.7225 |
| Muenster | : | 1.4800-1.6875 |
| Grade A Swiss Cuts 10 - 14# | : | 2.3500-2.5500 |

MIDWEST

The cheese market is unsettled. Current finished product deliveries remain heavy as buyers restock for the holidays. Movement has been aided, in instances, by promotional activity. Holiday gift pack shippers are seasonally active. New orders are often lighter for late year delivery. Many orders for delivery yet this year are the "fill in immediate needs" type. Some buyers will wait before reordering in order to determine the results from holiday movement and to minimize inventory carried over into the New Year. Current cheese production is about steady as slight increases in milk receipts are occasionally offset by good Class I milk interest. Cheese yields remain seasonally strong.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

| | | |
|---|---|---------------|
| Process American 5# Loaf | : | 1.4550-1.9000 |
| Brick And/Or Muenster 5# | : | 1.7300-1.8375 |
| Cheddar 40# Block | : | 1.6575-2.1150 |
| Monterey Jack 10# | : | 1.8700-2.1150 |
| Blue 5# | : | 2.0275-2.3900 |
| Mozzarella 5 - 6# (Low Moisture, Part Skim) | : | 1.7175-2.2150 |
| Grade A Swiss Cuts 6 - 9# | : | 2.0175-2.6900 |

MIDWEST COMMODITY CHEDDAR

Dollars per pound, standard moisture basis (37.8-39.0%),
carlot/trucklot, F.O.B. plants or storage centers.

| | | |
|----------------|---|-----------------------------|
| CHEDDAR STYLES | : | DECEMBER 10 - 14, 2001 |
| BARRELS* | : | \$1.2250 - 1.2500 (NOMINAL) |
| | : | (-.0400) (-.0575) |
| 40# BLOCKS | : | \$1.2600 - 1.3150 (NOMINAL) |
| | : | (\$0.0125) (-.0750) |

() Change from previous week. * If steel, barrel returned.

WEST

Prices are sharply lower this week after cash trading at the CME last week. Some contacts are surprised at the continued weakness in the markets. They see stocks as balanced to short of current needs. Production is steady at best and is often less than anticipated. Aged cheese, which was readily available 30-60 days ago, is also in short supply. Some manufacturers are scrambling to buy cheese from other producers to fulfill contracts. Mozzarella cheese continues to move very well. No additional cheese is being offered on the market. Swiss sales are good for this time of year. A number of manufacturers are noting that tests on incoming milk are declining somewhat and milk production is being impacted by some adverse winter weather conditions.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

| | | |
|---------------------------|---|---------------|
| Process 5# Loaf | : | 1.3900-1.6500 |
| Cheddar 40# Block | : | 1.3950-1.5575 |
| Cheddar 10# Cuts | : | 1.5750-1.7950 |
| Monterey Jack 10# | : | 1.5850-1.7450 |
| Grade A Swiss Cuts 6 - 9# | : | 2.3600-2.5300 |

FOREIGN

Prices for domestic styles are moderately lower as most product lines follow the CME weekly average for cheddar blocks. The market tone is firm as demand for imported foreign-type table cheeses is good during the holidays. With CME prices falling, the interest in imported cheeses used for further processing has eased. Stocks are generally adequate, but some tightness on some varieties is noted.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

| VARIETY | NEW YORK | |
|--------------------------|-----------------|----------------|
| | IMPORTED | DOMESTIC |
| Roquefort | TFEWR | -0- |
| Blue | 2.6400-3.1400 | 1.6225-3.1175* |
| Gorgonzola | 3.2400-5.9400 | 2.1225-2.4900* |
| Parmesan (Italy) | TFEWR | 3.0400-3.0925* |
| Romano (Italy) | 2.1000-2.9900 | -0- |
| Provolone (Italy) | 3.4400-5.5000 | 1.6300-1.8500* |
| Romano (Cows Milk) | -0- | 2.8100-4.9900* |
| Sardo Romano (Argentine) | 2.6500-3.2900 | -0- |
| Reggianito (Argentine) | 2.6500-3.2900 | -0- |
| Jarlsberg-(Brand) | 2.7500-3.5900 | -0- |
| Swiss Cuts Switzerland | -0- | 2.3500-2.5500 |
| Swiss Cuts Finnish | 2.5900-2.8500 | -0- |
| Swiss Cuts Austrian | 2.2500-2.7500 | -0- |
| Edam | | |
| 2 Pound | TFEWR | -0- |
| 4 Pound | 2.1900-2.9500 | -0- |
| Gouda, Large | 2.3900-2.6800 | -0- |
| Gouda, Baby (\$/Dozen) | | |
| 10 Ounce | 27.8000-31.7000 | -0- |

* = Price change.

WEEKLY COLD STORAGE HOLDINGS - SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

| | BUTTER | CHEESE |
|----------|--------|---------|
| 12/10/01 | 12,557 | 117,839 |
| 12/01/01 | 12,037 | 119,471 |
| CHANGE | 520 | -1,632 |
| % CHANGE | 4 | -3 |

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

| | THIS WEEK | | LAST WEEK | | LAST YEAR | |
|------------------|-----------|-----|-----------|-----|-----------|-----|
| | IN | OUT | IN | OUT | IN | OUT |
| FLORIDA | 120 | 0 | 25 | 0 | 0 | 84 |
| SOUTHEAST STATES | 14 | 0 | 14 | 0 | 21 | 0 |

Milk production in much of the region is steady to slightly higher. In the Northeast, relatively mild weather continues and the milk flow is improving slowly. Temperatures in the 50's and 60's have been noted in parts of New York this week. This is occurring in places that are normally under several inches of snow at this time of year. In the Middle Atlantic area, the milk flow is mostly steady. Milk output in the Southeast is mostly steady, but declines have been reported in South Florida where it has been quite hot. Fluid milk supplies are tight to balanced in most of the East. Florida handlers imported approximately 120 loads of milk week. However, there has been a supply change at one large bottling plant and this accounts for the jump in milk imports. Further information may tend to clarify this situation. Contacts feel that without the new account, Florida's milk supply would be fairly well balanced. Elsewhere, bottled milk sales are mostly steady, with a few retail promotions creating scattered increases in demand. Surplus milk volumes were steady to lighter. Manufacturing plants in the Southeast are operating as needed, but most are gearing up for anticipated heavy receipts during the Christmas holidays. In the Northeast, manufacturing schedules are light to moderate and typical for this time of year. Here too, contacts are planning for the holiday surge in milk supplies. The condensed skim market is mostly steady. Demand remains mostly contractual, but spot loads are clearing in the current price range. Interest from cheese makers is about steady, but with cheese prices at the CME falling, some are not too anxious to build inventories. However, condensed skim is clearing satisfactorily enough to keep drying to a minimum at some plants. The fluid cream market is reported as steady. Supplies are not long this week and demand is clearing most local offerings. Reports indicate that fewer loads are moving out of region for processing. Spot prices are quite a bit lower. The weekly average CME butter price is more than ten cents lower than the previous week and multiples are steady to lower. Demand from ice cream makers is up slightly as many take advantage of the lower fat prices and many would normally build inventories at this time of year so they could be down for the holidays. Cream cheese production is about steady as demand for the finished product remains seasonally good. Egg nog production is increasing as producers are making it with more regularity to meet the seasonal demand. Bottled cream sales are generally slow and bottlers' cream purchases are well below normal volumes. Churning activity is moderate in the East.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

| | | |
|--|---|-------------------------------|
| F.O.B. PRODUCING PLANTS: NORTHEAST | - | 1.5552-1.6921 |
| DELIVERED EQUIVALENT ATLANTA | - | 1.5552-1.7046 M 1.5926-1.6423 |
| F.O.B. PRODUCING PLANTS: UPPER MIDWEST | - | 1.5304-1.7296 |

PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. PRODUCING PLANTS:

| | | |
|---|---|---------------|
| NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES | - | 1.0000-1.0800 |
| NORTHEAST- CLASS III - SPOT PRICES | - | .9800-1.0600 |

M I D W E S T

Weather patterns across all of the Midwest have been unseasonably mild over the past week. In some areas, record setting warm temperatures have been recorded. No measurable snowfall has occurred, although good volumes of rain have fallen across much of the region. Milk production trends are holding quite favorable for mid December. Milk handlers indicate that, in instances, receipts have increased slightly. This strength is being attributed to favorable weather patterns, but once winter sets in, milk receipts are anticipated to take a dip. Class I demand is quite strong as bottlers, although still over a week away, prepare for the upcoming holiday period. Milk handlers indicate that demand

is strong for all of next week, but will probably decline sharply by Friday. To maintain strong bottling schedules, some plants are purchasing additional milk at premiums of \$3.00 over class. Manufacturing milk demand is not as active. For those plants that are buying, prices range from \$1.35 - \$1.75 over class. Cream markets are weak as the cash price for butter declines at the CME. Sharply lower cream multiples last week held for this week, although some handlers did adjust their multiples slightly higher to compensate for the declining base butter price. Cream demand during the week was strong as Class II product production remains strong for eggnog, cream cheese, sour cream, bottled cream, and other cream based holiday products. Condensed skim prices are holding basically steady from \$.95 for Class III up to \$1.07 for Class II.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

| | DEC 06 - 12 | PREVIOUS YEAR |
|---------------------------|-----------------|-----------------|
| SLAUGHTER COWS | \$ 35.00- 41.00 | \$ 34.00- 40.00 |
| REPLACEMENT HEIFER CALVES | \$380.00-550.00 | \$260.00-340.00 |

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

| | DEC 06 - 12 | PREVIOUS YEAR |
|----------------|-----------------|-----------------|
| SLAUGHTER COWS | \$ 36.50- 42.50 | \$ 30.00- 44.00 |

W E S T

The January 2002 Class 1 prices in California range from \$13.51 in the north to \$13.78 in the south. The statewide average Class 1 price based on production is \$13.56. The average is 10 cents lower than December and \$2.85 lower than January 2001. Milk production is holding mostly steady in the Southwest, although localized pockets are being affected by winter weather conditions. California output remains above a year ago in most areas of the state. Higher cow numbers are the major contributing factor. Output per cow is slightly higher, but may be limited by the higher cost and limited availability of top quality dairy alfalfa. Fluid milk orders are often higher than anticipated for some plants and being attributed to retail milk features and good pull from schools. Manufacturing plants are running well in the state with many able to run additional milk if available. New Mexico's milk production patterns are mostly steady at levels above a year ago. The impact of winter weather did affect some areas more than others. Plants in the state are running well. Arizona milk output is doing well seasonally and is above last year at this time. The increases in milk are helping plants run more efficiently. Western cream multiples remain around the 110 to 132 multiple range, FOB. Demand was fair to good for offerings this week and orders remain into the early part of next week. Past then, the holidays are expected to create problems and opportunities to sell/buy cream. Milk output in the Pacific Northwest is generally flat with some output edging both higher and lower. Conditions are becoming wetter and muddier, but these conditions are having only minimal impact on either milk output or quality. Manufacturing plants are not anticipating any problems handling surplus milk over the holiday season this year. Hay trading, as is normal, is slow at this time of year. Although, some unexpected export interest from the Far East has developed. Hay acreage is anticipated to be higher next year. Alfalfa seed is beginning to be very hard to find and prices are increasing. Heifer prices seem to be more variable with moves both up and down noted. Most areas of Idaho and Utah are cold and snowy. Dairy areas have snow on the ground and it is anticipated to remain that way. Tests on incoming loads of milk have stabilized. Production ranges from steady to lower. A number of plants are looking for additional milk supplies to make more cheese and they are not very successful. Trucks seem to be available for deliveries this week and next with not much indication for the two holiday weeks yet. Many firms have now taken off the fuel surcharges.

CENTRAL AND WEST DRY MILK PRODUCTS

All reports, except California manufacturing plants, were released 12/13/01 and represent FOB Central and Western production areas. Prices represent CL/TL quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL

Prices are unchanged and nominal on a mostly steady market. Stocks are in balance to somewhat tight with some manufacturers seeking additional supplies from the West in order to satisfy current contractual commitments. Low heat production is steady to lower with anticipated increases during the holidays. Some plants are producing more high heat in order to build required stocks before holiday milk supplies appear. Trading activity is light as buyers purchase product only as needed to avoid heavy year-end stocks. Talk of a tilt change and weak international prices continue to loom in conversations. Off grade product is available for the light to fair demand.

Includes EXTRA GRADE and GRADE A, low and medium heat

NONFAT DRY MILK: .9450 - .9700 MOSTLY: .9450 - .9700

DRY BUTTERMILK - CENTRAL

Prices are unchanged and nominal on a steady to weak market. While brand specific product is reportedly trading at the higher end of the range, most buttermilk trading is occurring at 1.0000 - 1.0300. Production is increasing and stocks are building. Buyers are bidding at 0.9400 - 0.9500 and meeting resistance. Resellers are offering at the lower end of the range. Contracts for 2002 are progressing very slowly. Movement of condensed product into ice cream facilities is better than the year prior, yet slower seasonally and thereby increasing drying schedules. Churning activity is steady with heavier schedules anticipated over the holidays.

BUTTERMILK: 1.0000 - 1.1150

DRY WHEY - CENTRAL

Prices are unchanged to lower on a mostly steady market. While most producers are reportedly in a tight position, some plants lowered their prices on multiple load shipments. Some buyers report that spot sales are available as long as the shipment is picked up before the end of the week. Traders believe that producers are being "judicious" with their supplies in order to guarantee higher contracts into 2002. Producers report steady movement and steady to higher contract premiums for 2002. Spot trading activity is very light. Prices are reportedly too high for export interest with more movement reported in the condensed form domestically. Production is generally steady to higher.

NONHYGROSCOPIC: .2950 - .3075 MOSTLY: .2950 - .3000

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged to higher on a mostly steady market. Milk replacer supplies are increasing for the good interest as feed users seek cheaper alternatives to the Extra Grade whey market. Roller ground production is steady to lower. Buyers are seeking additional loads on contractual shipments. With WPC prices decreasing, the delactose market remains unchanged. Some producers are seeking higher premiums on contracts for 2002. Supplies remain short of interest on steady production schedules. Early weaned pig prices are trading higher while veal demand is light to fair.

MILK REPLACER: .2600 - .2800
 ROLLER GROUND: .2825 - .2950
 DELACTOSE (Min. 20% protein): .4150 - .4300

LACTOSE - CENTRAL AND WEST

Prices are unchanged on a firm market. Production is steady to higher while stocks remain light. Export interest is good yet negotiations for 2002 export contracts are slow. Traders continue to discuss the possibility of a sugar substitute as a cheaper alternative to lactose into some food applications. Export buyers are against any price increases in the first quarter. However, domestic contracts are generally trending higher. Inquires are noted by candy and feed facilities. Production of off grade product is higher with spot sales readily clearing into the feed sector. The substitute product, permeate, is generally tight for the good feed interest.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

EDIBLE: .2000 - .2675 MOSTLY: .2050 - .2300

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged to lower on a generally weak market. Both buyers and sellers are taking note of year-end inventories and assessing market conditions. Award winners of CCC NDM are tending to run long on protein and are seeking to sell excess supplies. Some producers are offering at heavy discounts on multiple load shipments with unconfirmed trades noted at 0.6300. Feed buyers are contracting less in 2002 and contract premiums are generally trending lower. Many feed buyers are resistant to the current spot market in expectation of prices comparable to CCC NDM bids. However, brand specific product is said to be short of interest and trading at a premium for the good nutraceutical and processed food interest. Production is unchanged to seasonally heavier. Offerings of off grade 34%, 55%, 60% and 80% are heavy from domestic and foreign sources for the light to fair interest.

EXTRA GRADE 34% PROTEIN: .6500 - .7600 MOSTLY: .6800 - .7400

NONFAT DRY MILK - WEST

Changes are few in the nonfat dry milk market entering the end of the calendar year. Production levels are trending higher and are expected to be higher to balance milk supplies over the next few weeks. Sales are slow beyond contracted amounts. Producers and buyers alike do not want to own inventories with the possibility of NDM prices being lowered should a "tilt" be announced. Beyond committed amounts, producers are bagging NDM in government bags for potential offering under the support program. DEIP sales are slow and taking minimal amounts off the current market. Producer stocks range from light to moderately heavy. During the period of December 3 - 7, CCC adjusted purchases totaled 7,044,777 pounds of Western NDM under the price support program. High heat prices are unchanged and the market tone generally steady. Seasonal activity has slowed going into the holidays. Any change in support price would also indirectly affect high heat prices and buyers are cautious with holdings.

Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: .8950 - 1.0250 MOSTLY: .9000 - .9375
 HIGH HEAT: .9550 - 1.0200

DRY BUTTERMILK - WEST

Prices are lower for the mostly series, reflecting some lower priced buttermilk being traded in the region. Supplies are higher than desired and buyers are being offered lower priced buttermilk from resellers. Producer offerings have increased and buyers who were behind on orders have been catching up. Production is active seasonally due to increased butter churning and less condensed buttermilk sold. Stocks of dry buttermilk are light to moderate.

BUTTERMILK: 1.0300 - 1.0750 MOSTLY: 1.0300 - 1.0400

DRY WHEY - WEST

Prices for Western whey are mixed, but with a general weaker undertone. Range prices actually increased fractionally while the mostly was lower in price. The export side of the market is causing the major slowdown. Prices have had to move lower to keep powder moving into export channels. Domestic sales continue to be rated as good at steady levels. A few manufacturers are building some inventories and they are aggressively cutting prices to keep their stock levels under control. The lower prices are generating additional sales activity. Production at many locations is less than planned for.

NONHYGROSCOPIC: .2500 - .2900 MOSTLY: .2575 - .2775

CALIFORNIA MANUFACTURING PLANTS - NONFAT DRY MILK

| WEEK ENDING | PRICE | POUNDS | CCC SALES @ Support |
|-------------|---------|------------|---------------------|
| December 7 | \$9.154 | 9,967,255 | 4,570,724 |
| November 30 | \$9.130 | 12,483,938 | 7,780,897 |

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

NORTHEAST, SOUTHEAST, AND NATIONAL MILK PRODUCTS

All reports represent carlot/trucklot quantities for domestic and export sales in 25 kg. or 50 lb. bags, and totes, spray process, dollars per pound, unless otherwise specified. Delivered Southeast is delivered equivalent Atlanta.

NONFAT DRY MILK - NORTHEAST AND SOUTHEAST

Prices are unchanged and nominal in the Northeast. The market tone is steady. Drying schedules are a little lighter as surplus milk supplies decreased slightly from last week. Producer stocks are minimal. Most production easily clears as soon as it is made and tested. However, spot demand is being influenced by year-end considerations. Many users would like to have as little as possible on hand going into the new year, but the possibility of higher prices (the national marketing agency's prices for 2002 are fractionally higher than 2001) after the first has some buyers looking to take on a little extra powder. Conversely, there are those that feel strongly that the Farm Service Agency will adjust the tilt between butter and NDM in the near future. This would lower the price of NDM. In this event, inventories are somewhat undesirable. At the time of this report, there is no indication from CCC that such a tilt will take place. Western NDM continues to clear to CCC.

Includes EXTRA GRADE AND GRADE A

F.O.B. NORTHEAST:

LOW/MEDIUM HEAT: .9525 - .9900 MOSTLY: .9575 - .9700

HIGH HEAT: .9800 - 1.0100 MOSTLY: .9850 - 1.0100

DELVD SOUTHEAST:

ALL HEATS: .9400 - 1.0200

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices and the market tone are unchanged. Eastern prices remain nominal as there is little spot sales activity being reported. Production levels are about steady. However, excess cream supplies and, therefore, churning were slightly lower this week. Producer stocks are still tight and some manufacturers have less than a truckload in inventory. Demand is steady. Most producers are clearing their output to regular accounts and have little or no powder for new spot inquiries.

F.O.B. NORTHEAST: 1.0000 - 1.0500

DELVD SOUTHEAST: 1.0400 - 1.0950

DRY WHOLE MILK - NATIONAL

Prices are steady to lower within the range and nominal. The market tone is steady. Production levels are about steady and geared to meeting contracts. However, there are reports that indicate some Western producers expect to make more dry whole milk during the upcoming holidays as a way to clear more fat, rather than sell cream at a discount. Demand for dry whole milk is fair at best.

F.O.B. PRODUCING PLANT: 1.1700 - 1.3000

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 2001 THROUGH DECEMBER 7, 2001
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK -- 8,729 MT (19,243,953 LBS)
CHANGE -- 3,915 MT (8,631,009 LBS)

CHEESE -- 3,030 MT (6,679,938 LBS)

This program-year allocation is filled.

Allocations for the DEIP year beginning July 1, 2001: Nonfat dry milk -- 68,201 MT; Cheese -- 3,030 MT; Butterfat -- 21,097 MT.

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices and the market tone are unchanged. Eastern prices remain nominal. Production levels are steady in the East and most dryers have little or no product on hand for spot sale. Demand is good and easily clearing via contracts. Spot interest is also good, but there are definite year-end influences in the market. Reports indicate that traders are also entering the new year with lower than normal inventories. Contacts feel that current prices will carry into the new year. With output expected to be fairly steady and if demand improves after the first when users typically restock, prices may hold longer than many had expected. New export sales are slow to develop as current U.S. prices are too high. Few producers are willing to discount prices to make export sales when current output is easily clearing in the domestic market.

F.O.B. NORTHEAST: EXTRA GRADE .2925 - .3025

USPH GRADE A .3000 - .3125

DELVD SOUTHEAST: .3175 - .3325

EVAPORATED MILK - NATIONAL

Prices and the market tone are steady. Production levels are about steady. Demand is winding down seasonally. Most retailers have their orders in hand and on store shelves. Most are already looking ahead to anticipated first quarter needs and thinking about contracts. Producer stocks are at the seasonal low point, but this is to be expected at this time of year. Producers will now start replenishing their inventories.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$19.00 - 33.00

Excluding promotional and other sales allowances. Included new price announcements.

CASEIN - NATIONAL

Casein markets are unsettled and weak, although prices are holding steady for the balance of the quarter. Buyers and importers are indicating that first quarter prices will be lower. Weak economic conditions in many parts of the world are one of the factors for lower prices in the new year. Stocks of rennet remain in close balance to short, while acid supplies are more available. In instances, some buyers are delaying shipments until the new year.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 2.4000 - 2.7300

ACID: 2.4500 - 2.6500

| ANNOUNCED COOPERATIVE CLASS I PRICES IN SELECTED CITIES, DECEMBER 2001, WITH COMPARISONS 1/ | | | | | | | | | | | | |
|---|----------|---------------|-------------|----------|---------------|-------------|----------|---------------|-------------|----------|---------------|-------------|
| CITY | DEC 1999 | | | DEC 2000 | | | NOV 2001 | | | DEC 2001 | | |
| | Coop. | Federal Order | Differ-ence | Coop. | Federal Order | Differ-ence | Coop. | Federal Order | Differ-ence | Coop. | Federal Order | Differ-ence |
| Dollars Per Hundredweight | | | | | | | | | | | | |
| Atlanta, GA | 16.07 | 14.57 | 1.50 | 16.31 | 15.23 | 1.08 | 19.64 | 18.86 | 0.78 | 16.33 | 15.08 | 1.25 |
| Baltimore, MD | 15.27 | 14.52 | 0.75 | 16.68 | 15.13 | 1.55 | 20.51 | 18.76 | 1.75 | 16.73 | 14.98 | 1.75 |
| Boston, MA * | 15.21 | 14.73 | 0.48 | 15.86 | 15.38 | 0.48 | 20.61 | 19.01 | 1.60 | 16.83 | 15.23 | 1.60 |
| Carbondale, IL | 15.21 | 13.50 | 1.71 | 16.04 | 14.33 | 1.71 | 19.67 | 17.96 | 1.71 | 15.89 | 14.18 | 1.71 |
| Charlotte, NC | 16.07 | 14.57 | 1.50 | 16.31 | 15.23 | 1.08 | 19.64 | 18.86 | 0.78 | 16.33 | 15.08 | 1.25 |
| Chicago, IL | 14.78 | 12.89 | 1.89 | 15.63 | 13.93 | 1.70 | 19.56 | 17.56 | 2.00 | 15.73 | 13.78 | 1.95 |
| Cincinnati, OH | 15.40 | 13.60 | 1.80 | 16.21 | 14.33 | 1.88 | 19.73 | 17.96 | 1.77 | 15.95 | 14.18 | 1.77 |
| Cleveland, OH | 15.09 | 13.49 | 1.60 | 16.01 | 14.13 | 1.88 | 19.53 | 17.76 | 1.77 | 15.75 | 13.98 | 1.77 |
| Dallas, TX | 15.70 | 14.65 | 1.05 | 15.68 | 15.13 | 0.55 | 18.88 | 18.76 | 0.12 | 15.82 | 14.98 | 0.84 |
| Denver, CO | 15.97 | 14.22 | 1.75 | 15.38 | 14.68 | 0.70 | 19.01 | 18.31 | 0.70 | 15.73 | 14.53 | 1.20 |
| Des Moines, IA | 14.44 | 13.04 | 1.40 | 14.99 | 13.93 | 1.06 | 18.77 | 17.56 | 1.21 | 14.99 | 13.78 | 1.21 |
| Detroit, MI | 14.34 | 13.34 | 1.00 | 14.93 | 13.93 | 1.00 | 18.56 | 17.56 | 1.00 | 15.03 | 13.78 | 1.25 |
| Hartford, CT * | 15.11 | 14.63 | 0.48 | 15.76 | 15.28 | 0.48 | 20.51 | 18.91 | 1.60 | 16.73 | 15.13 | 1.60 |
| Houston, TX | 16.24 | 15.19 | 1.05 | 16.28 | 15.73 | 0.55 | 19.48 | 19.36 | 0.12 | 16.42 | 15.58 | 0.84 |
| Indianapolis, IN | 14.94 | 13.39 | 1.55 | 16.01 | 14.13 | 1.88 | 19.53 | 17.76 | 1.77 | 15.75 | 13.98 | 1.77 |
| Kansas City, MO | 14.81 | 13.41 | 1.40 | 15.09 | 14.13 | 0.96 | 18.72 | 17.76 | 0.96 | 15.19 | 13.98 | 1.21 |
| Louisville, KY | 14.90 | 13.60 | 1.30 | 15.33 | 14.33 | 1.00 | 18.96 | 17.96 | 1.00 | 15.18 | 14.18 | 1.00 |
| Memphis, TN | 15.51 | 14.26 | 1.25 | 15.61 | 14.93 | 0.68 | 19.14 | 18.56 | 0.58 | 15.83 | 14.78 | 1.05 |
| Miami, FL | 18.64 | 15.67 | 2.97 | 18.82 | 16.43 | 2.39 | 22.15 | 20.06 | 2.09 | 18.84 | 16.28 | 2.56 |
| Milwaukee, WI | 14.69 | 12.80 | 1.89 | 15.58 | 13.88 | 1.70 | 19.66 | 17.51 | 2.15 | 18.83 | 13.73 | 2.10 |
| Minneapolis, MN | 13.94 | 12.69 | 1.25 | 14.79 | 13.83 | 0.96 | 19.02 | 17.46 | 1.56 | 15.19 | 13.68 | 1.51 |
| New Orleans, LA | 16.29 | 15.14 | 1.15 | 16.45 | 15.73 | 0.72 | 19.79 | 19.36 | 0.43 | 16.48 | 15.58 | 0.90 |
| Oklahoma City, OK | 15.56 | 14.26 | 1.30 | 15.53 | 14.73 | 0.80 | 19.16 | 18.36 | 0.80 | 15.63 | 14.58 | 1.05 |
| Omaha, NE | 14.49 | 13.24 | 1.25 | 15.04 | 13.98 | 1.06 | 18.82 | 17.61 | 1.21 | 15.04 | 13.83 | 1.21 |
| Philadelphia, PA | 15.20 | 14.58 | 0.62 | 16.85 | 15.18 | 1.67 | 20.68 | 18.81 | 1.87 | 16.90 | 15.03 | 1.87 |
| Phoenix, AZ | 14.61 | 14.01 | 0.60 | 14.63 | 14.48 | 0.15 | 18.26 | 18.11 | 0.15 | 14.48 | 14.33 | 0.15 |
| Pittsburgh, PA | 13.89 | 13.49 | 0.40 | 16.23 | 14.23 | 2.00 | 20.06 | 17.86 | 2.20 | 16.28 | 14.08 | 2.20 |
| St. Louis, MO | 15.21 | 13.50 | 1.71 | 15.84 | 14.13 | 1.71 | 19.47 | 17.76 | 1.71 | 15.69 | 13.98 | 1.71 |
| Salt Lake City, UT | 13.64 | 13.39 | 0.25 | 14.28 | 14.03 | 0.25 | 17.96 | 17.66 | 0.30 | 14.18 | 13.88 | 0.30 |
| Seattle, WA | 15.38 | 13.39 | 1.99 | 14.70 | 14.03 | 0.67 | 18.08 | 17.66 | 0.42 | 14.30 | 13.88 | 0.42 |
| Spokane, WA | 15.38 | 13.39 | 1.99 | 14.70 | 14.03 | 0.67 | 18.08 | 17.66 | 0.42 | 14.30 | 13.88 | 0.42 |
| Springfield, MO | 14.98 | 13.68 | 1.30 | 15.13 | 14.33 | 0.80 | 18.76 | 17.96 | 0.80 | 14.98 | 14.18 | 0.80 |
| Washington, DC | 15.27 | 14.52 | 0.75 | 16.68 | 15.13 | 1.55 | 20.51 | 18.76 | 1.75 | 16.73 | 14.98 | 1.75 |
| Simple Average | 15.22 | 13.92 | 1.30 | 15.74 | 14.61 | 1.13 | 19.42 | 18.24 | 1.18 | 15.79 | 14.46 | 1.33 |

the Federal order Class I price shown for Boston. The effective Class I price level was the Federal order price at location plus the Compact obligation plus the figure shown under the column labeled "Difference." When the Federal order Class I price shown for Boston was higher than the Compact Class I price, the Compact price was not effective.

1/ Class I prices announced for the beginning of the month by the major cooperative in each city market. These prices may not apply to all of the Class I sales in these city markets. Announced prices may not include handling or service charges applicable to milk from supply plants and competitive credits which may be allowed. These prices have not been verified as having been actually paid by handlers.

DECEMBER MILK SUPPLY AND DEMAND ESTIMATES*

Forecast milk production in 2001/02 is slightly lower than last month as the number of cows is reduced slightly. The extension of the price support program through May 2002 is expected to result in increased CCC removals during 2001/02 and help to support Class IV prices. The forecast for Class IV milk is raised 5 cents per cwt. but the Class III price is reduced 5 cents due to slower expected growth in product demand. The 2001/02 all milk price is forecast at \$13.05-\$13.65 per cwt.

| Item | 1999/00 1/ | 2000/01 Projection 1/ | | 2001/02 Projection 1/ | |
|------------------------------------|-------------------------|-------------------------|-------------|-----------------------|-------------|
| | | November | December | November | December |
| SUPPLY | | BILLION POUNDS | | | |
| BEGINNING COMMERCIAL STOCKS 2/ | 7.4 | 8.9 | 8.9 | 8.8 | 8.6 |
| PRODUCTION | 167.4 | 165.3 | 165.3 | 168.9 | 168.7 |
| FARM USE | 1.3 | 1.3 | 1.3 | 1.2 | 1.2 |
| MARKETINGS | 166.1 | 164.0 | 164.0 | 167.7 | 167.5 |
| IMPORTS 2/ | 4.6 | 5.5 | 5.5 | 4.7 | 4.7 |
| TOTAL COMMERCIAL SUPPLY 2/ | 178.2 | 178.4 | 178.4 | 181.1 | 180.8 |
| USE | | | | | |
| COMMERCIAL USE 2/ 3/ | 168.5 | 169.3 | 169.5 | 172.9 | 172.6 |
| ENDING COMMERCIAL STOCKS 2/ | 8.9 | 8.8 | 8.6 | 8.0 | 8.0 |
| CCC NET REMOVALS: | | | | | |
| MILKFAT BASIS 4/ | 0.8 | 0.3 | 0.3 | 0.2 | 0.2 |
| SKIM SOLIDS BASIS 4/ | 8.5 | 6.3 | 6.3 | 2.6 | 3.1 |
| | | DOLLARS PER CWT. | | | |
| MILK PRICES 5/ | | | | | |
| BASIC FORMULA/CLASS III PRICE 6/ | 9.99 | 12.29 | 12.29 | 11.25-12.05 | 11.30-11.90 |
| CLASS IV 7/ | 11.51 | 13.88 | 13.88 | 11.40-12.40 | 11.55-12.35 |
| ALL MILK 8/ | 12.61 | 14.48 | 14.48 | 13.00-13.80 | 13.05-13.65 |
| | | MILLION POUNDS | | | |
| CCC PRODUCT NET REMOVALS 4/ | | | | | |
| BUTTER | 11 | 0 | 0 | 5 | 5 |
| CHEESE | 17 | 16 | 16 | 3 | 3 |
| NONFAT DRY MILK | 690 | 525 | 525 | 220 | 265 |
| DRY WHOLE MILK | 34 | 3 | 3 | 0 | 0 |
| | QUARTERLY 9/ | | | ANNUAL 9/ | |
| | 2001 IV | 2002 I | 2002 II | 2001 | 2002 |
| MILK PRODUCTION | 40.8 | 42.2 | 43.9 | 165.4 | 169.7 |
| | DOLLARS PER CWT. | | | | |
| ALL MILK PRICE 5/ 8/ | 14.50-14.70 | 12.90-13.40 | 12.15-12.95 | 14.90-15.00 | 12.85-13.65 |
| CLASS III PRICE 5/ 6/ | 12.35-12.55 | 11.00-11.50 | 10.65-11.45 | 13.00-13.10 | 11.25-12.05 |
| CLASS IV PRICE 5/ 7/ | 12.10-12.30 | 11.45-11.95 | 11.35-12.15 | 13.70-13.80 | 11.65-12.45 |

NOTE: Totals may not add due to rounding. 1/ Marketing year beginning October 1. 2/ Milk equivalent, milkfat basis. 3/ Includes commercial exports. 4/ Includes products exported under Dairy Export Incentive Program. 5/ Projections indicate a range of the average for the quarter or year. 6/ Basic Formula Price (BFP) through December 31, 1999; Federal milk order Class III price beginning January 1, 2000. 7/ Federal milk order Class IV price. 8/ Milk of average fat test. Does not reflect any deductions from producers as authorized by legislation. 9/ Calendar year basis projection. * The World Agricultural Supply and Demand Estimates were approved by the Interagency Commodity Estimates Committee. The members for Dairy are: Shayle Shagam, Chairperson, WAOB; John Mengel, AMS; Authur Coffing, FAS; James Miller, ERS; and Daniel Colacicco, FSA.

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-381, World Agricultural Outlook Board, USDA, December 11, 2001.

2002 OFFICIAL MONTHLY AVERAGE RELEASE TIMES

| <u>MONTH</u> | <u>RELEASE DAY AND TIME*</u> |
|--------------|------------------------------|
| JANUARY | FRI, FEB 1 @ 9:00AM |
| FEBRUARY | FRI, MAR 1 @ 9:00AM |
| MARCH | MON, APR 1 @ 9:00AM |
| APRIL | FRI, MAY 3 @ 9:00AM |
| MAY | MON, JUN 3 @ 9:00AM |
| JUNE | MON, JUL 1 @ 9:00AM |
| JULY | FRI, AUG 2 @ 9:00AM |
| AUGUST | TUE, SEP 3 @ 9:00AM |
| SEPTEMBER | FRI, OCT 4, 9:00AM |
| OCTOBER | FRI, NOV 1 @ 9:00AM |
| NOVEMBER | MON, DEC 2 @ 9:00AM |
| DECEMBER | FRI, JAN 3, 2002 @ 9:00AM |

*Central time.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

| | FOR THE WEEK OF DECEMBER 10 - 14, 2001 | | | CUMULATIVE TOTALS | | UNCOMMITTED INVENTORIES# | |
|------------------------|--|----------------------|--------------------|-------------------|-----------------------|--------------------------|-----------------------|
| | TOTAL PURCHASES | CONTRACT ADJUSTMENTS | ADJUSTED PURCHASES | SINCE 10/01/01 | SAME PERIOD LAST YEAR | WEEK ENDING 12/07/01 | SAME PERIOD LAST YEAR |
| BUTTER | | | | | | | |
| Bulk | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| Packaged | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| Unsalted | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| TOTAL | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| CHEESE | | | | | | | |
| Block | -0- | -0- | -0- | -0- | 2,790,214 | -0- | -0- |
| Barrel | -0- | -0- | -0- | -0- | 3,366,496 | -0- | -0- |
| Process | -0- | -0- | -0- | -0- | 2,376,000 | -0- | -0- |
| TOTAL | -0- | -0- | -0- | -0- | 8,532,710 | -0- | -0- |
| NONFAT DRY MILK | | | | | | | |
| Nonfortified | 4,780,590 | 2,860,738 | 1,919,852 | 51,769,022 | 85,221,609 | 637,255,000 | -0- |
| Fortified | -0- | -0- | -0- | -0- | 16,978,132 | 38,227,000 | -0- |
| TOTAL | 4,780,590 | 2,860,738 | 1,919,852 | 51,769,022 | 102,199,741 | 675,482,000 | -0- |

Although an uncommitted inventory of NDM has continued to exist for some time, it has not been reported due to CCC's efforts to utilize all NDM purchased under price support.

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

| | MILKFAT* BASIS | SKIM** SOLIDS | | MILKFAT* BASIS | SKIM** SOLIDS |
|--|----------------|---------------|------------------------------------|----------------|---------------|
| WEEK OF DECEMBER 10 - 14, 2001 = | 0.4 | 22.3 | COMPARABLE PERIOD IN 2000 = | 5.0 | 122.9 |
| CUMULATIVE SINCE OCTOBER 1, 2001 = | 11.4 | 520.5 | CUMULATIVE SAME PERIOD LAST YEAR = | 101.2 | 1,274.1 |
| CUMULATIVE JANUARY 1 - DECEMBER 14, 2001 = | 84.8 | 3,872.8 | COMPARABLE CALENDAR YEAR 2000 = | 261.9 | 6,453.1 |

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22
 **Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF DECEMBER 10 - 14, 2001 (POUNDS)

| REGION | BUTTER | | | CHEESE | | | NONFAT DRY MILK | |
|---------|--------|----------|----------|--------|--------|---------|-----------------|-----------|
| | BULK | PACKAGED | UNSALTED | BLOCK | BARREL | PROCESS | NONFORTIFIED | FORTIFIED |
| MIDWEST | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| WEST | -0- | -0- | -0- | -0- | -0- | -0- | 1,919,852 | -0- |
| EAST | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- |

CCC ADJUSTED PURCHASES SINCE 10/1/01 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

| REGION | BUTTER | | CHEESE | | NONFAT DRY MILK | | MILK EQUIVALENT (%) | |
|--------------|---------|---------|---------|-----------|-----------------|-------------|---------------------|---------|
| | 2001/02 | 2000/01 | 2001/02 | 2000/01 | 2001/02 | 2000/01 | 2001/02 | 2000/01 |
| MIDWEST | -0- | -0- | -0- | 4,385,763 | -0- | 1,299,802 | -0- | 40.2 |
| WEST | -0- | -0- | -0- | 4,107,347 | 51,769,022 | 100,899,939 | 100.0 | 59.4 |
| EAST | -0- | -0- | -0- | 39,600 | -0- | -0- | -0- | 0.4 |
| TOTAL | -0- | -0- | -0- | 8,532,710 | 51,769,022 | 102,199,741 | 100.0 | 100.0 |

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER MAY 31, 2001

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.; 3.5% - \$9.80

BUTTER Bulk \$.8548 per pound; 1# Prints \$.8848
CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1839; Process Am. 2# \$1.2239
NONFAT DRY MILK Nonfortified \$.9000 per pound; Fortified \$.9100; Instant \$1.0575

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 11/24/01 & Comparable Week 2000

| Regions* (000 HEAD) | U.S. TOTAL | | | | | | | | | | % DAIRY OF ALL | |
|---------------------|------------|-----|-----|------|------|------|------|-----|------|-----|------------------|------------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | WEEK SINCE JAN 1 | WEEK SINCE JAN 1 |
| 2001-Dairy | 0.1 | 0.6 | 4.8 | 4.0 | 17.9 | 2.0 | 0.5 | 0.6 | 9.8 | 1.6 | 42.0 | 2,319.1 |
| 2000-Dairy | 0.2 | 0.7 | 5.7 | 4.0 | 20.5 | 2.6 | 1.9 | 0.5 | 9.6 | 2.1 | 47.7 | 2,359.7 |
| 2001-All cows | 0.2 | 0.7 | 6.6 | 11.2 | 27.0 | 13.7 | 15.3 | 4.8 | 12.7 | 4.9 | 96.9 | 5,098.6 |
| 2000-All cows | 0.2 | 0.8 | 7.7 | 11.0 | 28.8 | 12.9 | 16.0 | 4.1 | 11.8 | 6.6 | 99.8 | 4,869.7 |

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III (2000) AND BFP (1998-99) MILK PRICES, (3.5% BF, \$/CWT. FOR COMPARISON PURPOSES ONLY)

| YEAR | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 1998 | 13.25 | 13.32 | 12.81 | 12.01 | 10.88 | 13.10 | 14.77 | 14.99 | 15.10 | 16.04 | 16.84 | 17.34 |
| 1999 | 16.27 | 10.27 | 11.62 | 11.81 | 11.26 | 11.42 | 13.59 | 15.79 | 16.26 | 11.49 | 9.79 | 9.63 |
| 2000 | 10.05 | 9.54 | 9.54 | 9.41 | 9.37 | 9.46 | 10.66 | 10.13 | 10.76 | 10.02 | 8.57 | 9.37 |

FEDERAL MILK ORDER CLASS PRICES FOR 2001 (3.5% BF)

| CLASS | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| I 1/ | 13.99 | 11.94 | 12.65 | 13.44 | 14.21 | 14.99 | 15.34 | 15.40 | 15.56 | 15.93 | 15.76 | 11.98 |
| II | 12.82 | 13.43 | 14.17 | 15.10 | 15.72 | 16.05 | 15.96 | 15.98 | 16.24 | 13.53 | 12.78 | |
| III | 9.99 | 10.27 | 11.42 | 12.06 | 13.83 | 15.02 | 15.46 | 15.55 | 15.90 | 14.60 | 11.31 | |
| IV | 12.13 | 12.70 | 13.46 | 14.41 | 15.04 | 15.33 | 14.81 | 15.06 | 15.59 | 12.77 | 11.97 | |

1/ Specific order differentials to be added to this base price are located at: www.ams.usda.gov/dairy/mib/class_prod_milk_comp_pr.htm